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ABSTRACT

This paper presents findings from a case study of a single charter school operated by Edison Schools, Inc. (The particular school remains anonymous.) The study, grounded on the assumption that privatization improves efficiency, was done to document the relationship between the theory and practice of school privatization. The study relied on literature-based data to construct a theoretical framework of strategies related to efficiency, and field-based data to document the degree to which these strategies were implemented. The field-based data consisted of interviews, document reviews, and classroom observations. The findings, strategies to increase efficiency, are presented in a tabular summary. The findings reflect school privatization in a single school and do not document the degree to which the strategies enhance efficiency. The value of the findings is to generalize back to the assumptions about efficiency that are propelling school privatization. The evidence from the study suggests four conclusions: (1) School privatization may not be reliably transferred to public schools; (2) the ability to transfer school privatization from theory to practice is influenced by outside mediating factors; (3) the strategies to enhance efficiency interact; and (4) the assumptions underlying school privatization may warrant revision. (Contains 65 references.) (WFA)

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SCHOOL PRIVATIZATION BY WAY OF A COMPREHENSIVE MANAGEMENT CONTRACT: A SINGLE CASE STUDY OF THE EXTENT TO WHICH PRIVATIZATION THEORY TRANSFERS TO PRACTICE IN A PUBLIC CHARTER SCHOOL

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Introduction

School privatization[1] is a growing phenomenon in public education. However, we know little about what happens when a for-profit entity manages a public school and specifically, the degree to which theories regarding applying privatization to public education are actually transferable to public schools. This paper presents findings from a case study of a single charter school operated by Edison Schools Incorporated.

The study is grounded on the underlying, yet highly contested, assumption that privatization can improve efficiency (Ascher et al., 1996; Hill et al., 1997; Lieberman, 1989). The essence of efficiency is that any changes in effectiveness must outweigh any changes in cost. Since the seminal "Coleman report" (Coleman et al., 1966) more than 35 years ago, sectors of the American educational research community have sought to identify the relationship between inputs and outputs in education in order to realize greater efficiency (e.g., Ferguson, 1991; Hanushek, 1985; Hedges, Laine & Greenwald, 1994). At the heart of the debate is a dialogue regarding the influence of outside forces, such as family and environment versus the influence of internal school forces, such as school management and leadership, class size, individual teacher qualifications, and specific curricula. Private contracting represents a significant shift in one of these internal forces: who manages public schools.

This shift is based upon, among other things, the proposition that private managers' motives (i.e., profit incentive) and the freedom to implement effective practices in order to meet accountability requirements can generate greater productivity and result in enhanced efficiency. To wit, private

1 For the purposes of this study, I use the following narrow definition of school privatization: the operation of public schools or school systems, under contracts for administrative and instructional services, with private, for-profit entities (General Accounting Office, 1996). The term is somewhat imprecise because the phenomenon is actually contracting. Contracted public schools are still public—as opposed to private—schools. Despite the imprecision, privatization is the term generally used to describe contracting. Therefore, I use school privatization and school contracting interchangeably.

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managers will be able to balance costs and outcomes and realize technical efficiency that has been so elusive to public school administrators and educational researchers.

The purpose of this case study was to document the relationship between the theory and practice of school privatization. It addressed three specific questions:

1. What strategies are documented in the literature as means to realize greater efficiency through the privatization of public schools?
2. To what degree are the strategies that link privatization with greater efficiency observable in practice in a single school?
3. What conclusions can be drawn from the case-study school about the relationship between the strategies to increase efficiency through school privatization identified in theory and those implemented in practice?

This paper describes the purpose and significance of the study, summarizes the research methodology, outlines findings, introduces discussion, and suggests future research.

Significance of the Research

This study identifies the theoretical framework underlying school privatization and compares and contrasts this framework to practices in a privately managed public school. School privatization is growing in large part due to its theoretical promises rather than actual evidence of its success (Molnar, 2001; Walberg, 2000). Absent data, the discussion of privatization has "settled into ritual" (Finkelstein & Grubb, 2000, p. 602). Opposing sides argue what they speculate will happen in public schools managed by for-profit entities. Advocates of school privatization proffer that among other things, private managers will implement strategies to increase efficiency in public schools.

Scholars in the economics, business, and education fields, suggest that private managers of public schools will increase efficiency because they will 1) function in a competitive market (Hill et al.,

1997; Kent, 1987; Lieberman, 1997), 2) manage deregulated schools (Donahue, 1989), 3) decrease labor costs (Ascher et al., 1996 Hakim, et al., 1994; Hirsh, 1991), 4) motivate employees by using incentives (Baim, 1987; Donahue, 1989; Hanushek, 1994), 5) infuse financial capital into schools (Hirsh, 1991; Pirie, 1988; Savas, 1987), 6) implement effective practices (Ascher et al., 1996; Flam & Keane, 1997; Hill et al., 1997), and 7) be held accountable (Hill et al., 1997; Lieberman, 1989). These propositions are based upon the contested, but nonetheless underlying, assumption that public schools are inefficient and that private managers can make them efficient. Private managers are presumed to be motivated by profit incentives, liberated from burdensome regulations, and held accountable by consumers who can opt to select other alternatives (Chubb & Moe, 1990; Hill et al., 1997). The significance of the study is that it tests assumptions regarding how private managers will seek to

increase efficiency and contributes to an informed discussion about whether privatization may be transferable to public education.

Research Methodology

I conducted a single-case study of Auburn Charter School,[2] operated by Edison Schools Incorporated. Single-case design was appropriate because the case was "selected purposefully." It was an information-rich case "from which one can learn a great deal about issues of central importance to the purpose of the research" (Patton, 1990, p. 169). I used four criteria to determine that Auburn is an information-rich case. First, Edison, an early pioneer of comprehensive school management, manages Auburn. Auburn does not necessarily represent what is occurring in other privately managed schools but rather, represents an example of privatization that provides insight into how the largest, according to number of schools managed, education management organization (EMO) operates. Second, at the time of data collection, Auburn was one of a relatively small universe of public schools nationwide managed

2 Auburn Charter School is a pseudonym used to protect the anonymity of the informants.

by an EMO for at least three years. Thus, Auburn is a site with some, albeit limited, history. Third, Auburn is a large, demographically diverse public school that shares many of the issues that challenge large and predominantly urban public schools. As a result, Auburn provides a realistic, as opposed to idealistic, environment in which to examine school privatization in practice. Finally, Auburn is part of a growing universe of charter schools managed by EMOs. Private management of charter schools is worth considering because it is an evolving and expanding phenomenon (Golden, 2001; Stecklow, 1997; Walsh, 1999) as opposed to an isolated or defunct occurrence.

The school's charter status added a dimension to the research because the school represents two commingled school-reform initiatives. The commingling was problematic because it blurs the findings regarding the relationship between theory and practice of school privatization. The commingling was justified because charter schools and privatization are regularly coupled. Furthermore, the two reform initiatives, at least in this case, share core tenets. Namely, the belief that market forces, such as competition and choice, are desirable in public schools.

The case study relied on literature- and field-based data. I used literature-based data to construct a theoretical framework regarding the strategies underlying school privatization related to efficiency. I collected field-based data to document the degree to which these strategies were implemented at Auburn. The field-based data consisted of interviews, documents, and informal school and classroom observations conducted during two weeklong site visits to Auburn. I conducted 61 interviews, reviewed more than 100 primary and secondary documents, and observed 12 classrooms. The majority of the interviews were with teachers (n=33) and administrators and support staff (n=16). The remaining interviews were with charter board members (n=3), parents (n=9), state officials (n=2), Edison

personnel (n=2), and an EMO analyst.[3] I used Yin's (1994) pattern-matching logic to compare the theoretical framework of efficiency identified in the literature review with the field-based data from Auburn. I triangulated the documents, interviews and observations to validate the multiple types of data and identify corroborating and conflicting data.

To control for bias and error, I documented the procedures that guided data collection, management, and analysis. I also relied on multiple sources of data, identified major themes, searched for confirming and disconfirming data, developed a chain of evidence, and conducted a member check with six informants (Merriam, 1998). Potential methodological limits were participant candor given the high-profile nature of school privatization and Edison, limited time at the school site, imbalance in the interview pool, and inability to tape and generate verbatim transcripts of formal and informal interviews.

Findings: Strategies to Increase Efficiency

The following section summarizes the case findings for the purpose of providing a context for the discussion of their implications.[4] I initially sought to document definitively what particular strategies to increase efficiency are present at Auburn and what strategies are absent. The data revealed a far murkier reality that does not lend itself to clear categorization. Rather, the data reflect the literature on school change and policy implementation (c.f. Elmore & McLaughlin, 1988; Odden, 1991) that documents a predictable disconnect between theory, policy and practice. Across all seven strategies, Edison was able to implement some aspects of the individual strategies but not able to implement others. Furthermore, in some instances, Edison was able to implement a particular strategy aimed to

3 These figures add up to more than 61 because 5 of the 33 teachers interviewed were also parents. As a result, when presented by category, these 5 teachers/parents are reported in both categories.

4 For a more in-depth discussion of the case findings, see Rhim, L. M. (2001). School privatization and the goal of greater efficiency: A case study of the relationship between theory and practice of privatization in an Edison charter school. Unpublished doctoral dissertation. University of Maryland, College Park.

enhance efficiency but the process triggered unintended consequences (e.g., personnel policies aimed to decrease labor costs triggered high teacher turnover which hindered implementing Edison's model).

The first component of the theoretical framework of strategies to increase efficiency that I culled from the literature is the notion of infusing competition to stimulate school effectiveness. Edison did not compete for its sub-contract to manage Auburn but the data suggest that Edison will compete to some degree to have its sub-contract renewed. The Auburn board and Edison did have to apply for their charter in what appeared to be a competitive process—the majority of the applicants did not receive charters. Because Auburn is a school of choice, it has to compete with local public and private schools to recruit and retain students. Limited data from parents indicate that parents chose Auburn for a variety of reasons that are separate from the quality of its academic program. These findings reveal that outside policy forces such as the state charter school law and the balance of power between suppliers and consumers influence the degree to which Edison had to compete for its sub-contract and its students. The data regarding competition also revealed that the degree to which the board and parents can hold Edison accountable is associated with the quality and quantity of the competitors able to provide management sub-contracts or alternative educational opportunities.

In terms of deregulation, Auburn enjoys less regulation in some key areas (i.e., curriculum, teacher policies, and budget) due to the fact that it is a charter school. Notwithstanding the freedoms articulated in the state charter statute, Auburn is first and foremost a public school and is therefore required to abide by the same federal and state regulatory and accountability guidelines as other public schools. Furthermore, Auburn is required to participate in additional accountability processes associated with the state charter accountability plan. The limited deregulation that Auburn enjoys due to its chartered status enabled the board to contract with Edison. These findings highlight the primacy of the public nature of public charter schools—regardless of whether they are managed by public or private

managers. The fact that Auburn is public triggers a number of outside policy forces (federal special education statutes, state education statutes, and state charter school law) that limit the degree to which the school is deregulated. The tension between deregulation and accountability illustrates a dilemma in the supposition that comprehensive school management contracts can increase public schools' efficiency by deregulating *and* increasing accountability.

The third strategy presumed to increase efficiency in privately managed public schools is decreasing or limiting labor costs relative to student outcomes. Edison and the Auburn board appear to have implemented a number of policies aimed at minimizing the school's labor costs. Edison hired many inexperienced teachers whom it paid lower salaries and required to work longer hours than employees in the traditional district. Edison offered teachers only single year contracts. Edison initially understaffed the school in the area of support staff and special education teachers. Outside policy forces—the federal IDEA and the local teacher labor market—triggered unintended consequences (i.e., citation for non-compliance with federal special education laws and high rates of teacher turnover) that compelled Edison and the board to adjust their policies. These data indicate that while Auburn enjoys some autonomy from district regulations and collective-bargaining agreements, outside forces, such as federal civil rights statutes and the local labor market, influence policy decisions regarding labor costs. These forces drove Edison to develop policies and practices that are more aligned with the local district.

The fourth strategy expected to increase efficiency is using incentives to motivate effective behavior. The Auburn board and Edison implemented numerous performance incentives (e.g., Edison's profit, teacher bonuses, and the promise of career growth) designed to improve overall school effectiveness. In practice, the incentives did not appear to work as intended. Edison has yet to earn a profit at Auburn and Edison subsidized Auburn's budget in year four. Furthermore, discussions with teachers revealed that while Edison has offered teachers numerous organizational and individual

incentives, the incentives do not appear to help the school retain teachers or prompt teachers to improve their classroom performance. Instead, discussions with teachers revealed that they are motivated by internal, intrinsic incentives, such as their commitment to urban students or the concept of a new charter school. These data suggest that extrinsic fiscal incentives may not be as potent for school administrators and teachers as privatization advocates posit. Alternatively, the data may suggest that, the types of incentives, or manner in which they are implemented at Auburn, diminish their influence on school personnel. It was beyond the scope of the study to discern whether Edison's incentives were ineffective because extrinsic incentives are ineffective or whether the manner in which Edison implemented incentives at Auburn was ineffective.

The fifth strategy intended to increase efficiency—infuse financial capital in order to reduce overall costs—was clearly evident at Auburn. Edison helped Auburn to obtain a facility loan and acquire the equipment and materials it needed to open, and provided the school with ongoing financial assistance in the form of formal and informal loans. This strategy was potent at Auburn because it is a charter school and it needed assistance with start-up costs.

The sixth strategy hypothesized to increase efficiency is effective practices that enable privatized schools to maximize their outcomes relative to costs. Because the goal of the study was to compare theory to practice, I used the ten components of Edison's model as a proxy for effective practices (The Edison Project, 1998a, 1998b, 1998c, 1998c, 2000, 2001). I did not seek to determine whether Edison's model was valid or sound, only whether it was implemented at Auburn.

Edison implemented some aspects of its school model at Auburn (i.e., the academy structure, longer school day and longer school year, Success for All curriculum, involvement with the community and connection to a network of schools) but the school did not reflect Edison's ideal description of the ten components of its model. Specifically, during the period of study, Edison struggled to implement its

ideals for a rich and challenging curriculum, purposeful instruction, assessment that provides accountability, teachers who are professionals, integrated technology, and a partnership with families at Auburn. Aspects of its model that Edison was able to implement at Auburn with greater uniformity include: operating an extended school day and an extended school year; providing a structured curriculum; and arranging for teachers to have daily professional development periods.

The evidence revealed that some aspects of the manner in which Edison operated Auburn were paradoxical to components of Edison's model. Most notably, Edison's curriculum, instructional methods, and assessments are relatively sophisticated and implementing them appears dependent upon skilled teachers. However, Edison initially hired inexperienced teachers, many of whom were not certified and who reportedly struggled to implement Edison's school model. The apparent conflict between Edison's practices at Auburn and the ideals embedded in Edison's model influenced the degree to which Edison implemented its effective practices at Auburn.

The final strategy presumed to increase efficiency is accountability for performance. There are multiple forms of accountability operating at Auburn. The state charter school law and subsequent policies and procedures articulate a clear and specific process by which the state holds Auburn responsible for the goals and objectives in its charter. And, Edison's management sub-contract contains language that authorizes the board to hold Edison accountable for its performance. However, neither contain explicit nor measurable goals or objectives. In terms of teachers, Edison can hold them accountable because teachers work under single-year contracts. Conversely, teachers can hold Edison accountable for its teacher policies by leaving the school. Finally, parents can hold Edison accountable by exiting the school if they are dissatisfied. The presence or absence of attractive alternatives for consumers (e.g., other EMOs available to manage Auburn, other attractive public and private schools, and other career opportunities for teachers) appeared to influence the degree to which the school and

Edison were held accountable.

Table 1 presents a tabular summary of the findings. The first column identifies the specific strategy and embedded sub-strategies. The second column indicates the expected manifestation of the strategy. The third column indicates whether I was able to document the strategy at Auburn. A "0" indicates that I was not able to document the manifestation. In a number of cases, I documented that the manifestation was partially evident. In these instances, I indicate a "✓" and a "0". If I did not collect sufficient data regarding the manifestation, I note this by indicating that it is not appropriate "N/A" to state a conclusion at this time. The fourth column identifies the patterns of practice that emerged from the analysis.

These findings reflect school privatization in a single, privately managed charter school. They do not provide insight into the degree to which Edison's practices at Auburn are typical of Edison schools, typical of charter schools or typical of Edison charter schools. Nor do they document the degree to which the strategies enhance efficiency. Rather, the value of the findings is to generalize back to the central assumptions about efficiency that are propelling school privatization.

The data revealed that Edison attempted to implement all of the strategies to increase efficiency at Auburn that private managers are projected to implement. Edison's attempts produced mixed results. Edison sought to minimize its costs in a number of areas—localized purchasing, lower teacher compensation, and inexpensive cash flow—and increase its effectiveness in other areas—decentralized decision-making regarding curriculum and budget, incentives for performance, effective practices. The

Table 1 Summary of Findings—Strategies To Increase Efficiency

Theoretic Strategies	Manifestation of Strategy	Strategy Is Present or Absent	Patterns of Practice
Function in a Competitive Environment • Contract	• Initial sub-contract	0	• State charter school law influences competition • Balance of power influences competition
	• Charter application	✓	
	• Charter renewal	N/A	
	• Sub-contract renewal	✓/N/A	
• Students	• Recruitment/retention	✓	
Operate a Deregulated School • Rules/Regulations	• Waiver from state regulations	✓/0	• Public status limits deregulation (i.e., state charter school law, accountability policies and procedures).
	• Waiver from local regulations	✓	
	• Decreased reporting	0	
Reduce Labor Costs • Staff Allocation	• Central administrative staff allocation	0	• Efforts to limit labor costs yield unintended consequences • Local labor market influences labor costs
	• Building-level administrative staff allocation	0	
	• Support staff allocation	✓	
	• Instructional staff allocation	✓/0	
• Compensation	• Salaries	✓	
	• Benefits	✓	
Motivate Using Incentives	• Opportunity for Edison to earn a profit	✓	• Incentives are in place but do not appear to correlate with behavior • Intrinsic motives influence behavior
	• Organizational	✓/N/A	
	• Personal	✓	

Table 1 Summary of Findings—Strategies To Increase Efficiency cont.

Theoretic Strategies	Manifestation of Strategy	Strategy Is Present or Absent	Pattern of Practice
Infuse Financial Capital	• Capital investments	✓	• Practice reflects theory • State charter school law positively influences need for fiscal capital
	• Loans	✓	
	• Cash flow	✓	
Implement "Effective Practices"	• Schools organized for success	✓	• Some aspects of Edison's model of effective practices are documented at Auburn • Edison's policies and practices at Auburn inhibit Edison's school model
	• Better use of time	✓	
	• Rich and challenging curriculum	✓/0	
	• Purposeful instruction	0	
	• Assessment-accountability	✓/0	
	• A professional environment for teachers	0	
	• Technology for an information age	✓/0	
	• Partnership with families	✓/0	
	• Schools tailored to the community	✓/N/A	
	• A system that serves	✓/N/A	
Be Held Accountable	• State to Auburn board	✓/N/A	• Accountability mechanisms exist but goals and objectives are subjective • Outside competition influences accountability
	• Auburn board to Edison	✓/N/A	
	• Edison to families	✓	
	• Teachers to Edison/Edison to teachers	✓	

details regarding the degree to which Edison implemented the predicted strategies to increase efficiency at Auburn revealed outside forces or "mediating factors" (B. Malen, personal communication, May 23, 2001) that private managers may encounter in their quest to increase efficiency in public schools. For instance, the local teacher labor market exerts pressure and influences Edison's personnel policies and practices. The data also revealed the interplay and interdependence of the various strategies. For example, implementing effective practices appears to depend on hiring and retaining high-quality teachers and the need for accountability appears to limit deregulation.

Discussion

The evidence from this case demonstrates, in a limited way, that actually implementing strategies to enhance efficiency is extremely complex and at times paradoxical. Furthermore, the process of enhancing efficiency can be derailed by a variety of mediating factors (e.g., federal civil rights statutes, a competitive teacher labor market, or inexperienced teachers) that affect costs and outcomes.

The case study of Auburn Charter School suggests four conclusions regarding the relationship between the strategies to increase efficiency through school privatization identified in theory and those implemented in practice. First, school privatization may not be reliably transferred to public schools. Second, the ability to transfer school privatization from theory to practice is influenced by outside mediating factors. Third, the strategies to enhance efficiency interact, and fourth, the assumptions underlying school privatization may warrant revision.

Privatization Strategies May Not Dependably Transfer to Public Schools

The theoretical framework of strategies to increase efficiency was culled from the literature on privatization in arenas outside public education and from literature within education speculating how privatization might transfer to public education. The assumption that market forces such as competition, incentives, and accountability can be transferred to education to enhance efficiency belies the complexity

of public education and the challenge of infusing market-based forces into traditionally bureaucratic organizations such as public schools. While Auburn is privatized in that it is operated by a for-profit entity, Edison did not implement a number of the strategies related to efficiency that comprise the core concepts of privatization. The relationship between the theory and practice of accountability, deregulation, and incentives illustrates the challenge of transferring privatization to public schools.

Dating back to the origins of compulsory public education in the mid-1800s, American education policy has evolved based upon a shared belief in the private and public value of public education (Kaestle, 1983; Tyack & Hansot, 1982). Historically, public schools have been designed to be accountable to the general public for instructional and financial practices. Accountability manifests itself in a web of federal and state statutes that dictate the parameters within which public schools operate. Even "deregulated" charter schools must comply with public accountability requirements that manifest themselves in regulations that potentially limit autonomy. Furthermore, deregulated charter schools must abide by a new set of rules and regulations designed to compensate for the loss of district-level control and regulation. These new regulations reflect what Handler (1996) characterizes as substituting "one regulatory regime for another" (p. 110). To wit, the case suggests that Auburn's public status and related accountability measures create a deregulation ceiling that inhibits the degree to which privatization theories regarding deregulation and accountability may transfer to public schools.

The second area in which Auburn illustrates the challenge of transferring privatization to public education pertains to incentives to motivate effective behavior. To infuse a layer of accountability between public tax dollars and EMOs, the state charter school law forbids for-profit entities from holding charters. However, for-profits may contract with non-profits to manage specific programs or entire charter schools, which is how Edison manages Auburn. At Auburn, the sub-contract grants the board discretion over Edison's compensation and muddles the correlation between Edison's

performance and its profit incentive. The board offers Edison the opportunity to earn a profit but the board can change the financial arrangement during the school year—thereby diminishing Edison's profit incentive. The evidence from Auburn's third year, when Edison had to subsidize the school's budget to operate, suggests that when challenged to choose between Edison's bottom line and Auburn's operational problems, Auburn's public interests outweighed Edison's private objectives. This finding illustrates that even though privatized, Auburn's status as a public school—manifested in the board's authority—may offset other market-based incentives.

The degree to which accountability, deregulation, and incentives are implemented at Auburn suggests that privatization cannot be reliably transferred to public education. The basic institutional and legal differences between public education and market-based enterprises appear to hinder this transfer. Discussions regarding increasing accountability, deregulating schools, and motivating managers with incentives to enhance efficiency should acknowledge that the fundamentally public purpose of public schools (i.e., provide a free education to all children) limits the degree to which the tenets of privatization may be transferred—regardless of who manages them—to public schools.

William Ouchi's (1980) work on organizational development sheds light upon why privatization may not dependably transfer to schools. Ouchi (1980) notes that organizations function as markets, hierarchies (bureaucracies), or clans that depend upon shared community beliefs. The assumption that privatization can transfer to public schools depends upon an organization that operates as a hierarchy (i.e., elected school board to superintendent to schools to teachers) becoming a market that is guided by price and competition. The manner in which Auburn was privatized does not represent a shift from a hierarchy to a market as much as it represents a "quasi-market" (Whitty, 1997, p. 4). A quasi-market is characterized by some aspects of a market and some aspects of a hierarchy. For instance, the fact that Auburn is a school of choice reflects the characteristics of a market; yet, the fact that Auburn must

abide by federal and state rules and regulations pertaining to public schools reflects the characteristics of a hierarchy. Since it is a public school, Auburn does not operate in a "true market" but rather in a "quasi-market." Thus, it is not surprising that privatization did not transfer well to Auburn—in spite of the fact that it is operated by a private company.

Six Factors May Mediate the Transfer of Theory to Practice and Foster Institutional Isomorphism

The case suggests that while Edison sought to implement the seven strategies to enhance efficiency, a variety of internal and external forces—or "mediating factors" (B. Malen, personal communication, May 23, 2001)—influence the degree to which practice reflects theory. In some instances, these mediating factors may push privatized schools to resemble conventional public schools: a phenomenon referred to as institutional isomorphism. The next two sections summarize the mediating factors and discuss institutional isomorphism at Auburn.

Multiple Mediating Factors

The case revealed that six mediating factors influence Edison's management of Auburn: 1) federal laws, 2) state laws, 3) the balance of power, 4) the local labor market, 5) intrinsic motives, and 6) Edison's implementation of its model.

Federal law influences deregulation and labor costs. The case revealed that the federal Individuals with Disabilities Education Act (IDEA) influenced the degree to which Auburn was deregulated and shaped Edison's personnel decisions. The IDEA requires all public schools to provide children with disabilities a free appropriate public education. IDEA also dictates a variety of policies and procedures that schools, regardless of autonomy provided by state charter school laws, must follow to comply with the law (20 U.S.C, 1400 et. seq. 1997). For instance, the state charter school law waives standard certification requirements for all charter schoolteachers. The federal IDEA, which overrules

state laws, requires that all special education teachers—even those working in charter schools—are certified (Individuals with Disabilities Education Act, 20 U.S.C, 1400 et. seq. 1997). This requirement constrains Edison's autonomy to select its own teachers based on the particular skills that Edison values (i.e., Edison had to hire certified special education teachers). When Edison did not hire enough special education teachers or follow federally mandated policies and procedures at Auburn, the school was cited for noncompliance with federal law. As a result of the citation, the school was required to comply with additional rules and regulations to document future compliance with the federal law. To wit, the federal law influences Edison's management of Auburn.

State law influences financial capital and competition. The state charter school law was a mediating factor that both helped and hindered Edison efforts to implement strategies to enhance efficiency. For example, the state charter school funding process provided Auburn with an incentive to partner with Edison because Edison could grant the board access to financial capital. The Auburn board needed financial capital; and, had it not partnered with Edison, the board would have been had to seek other, potentially more expensive, options to obtain capital. This finding concurs with Horn and Mirons' (2000) research in Michigan that found that the high number of privately managed charter schools in Michigan is due in part to the fiscal realities of starting a charter school. It also reflects Hannaway's (1999) finding that fiscal capital is an important attribute that draws charter schools to EMOs. This evidence indicates that, regardless of whether or not financial capital increases efficiency, the promise to infuse financial capital into new charter schools may be a central component of EMO-charter school partnerships.

The second example of the state charter law operating as a mediating influence is the finding that the law diffused the degree to which Edison competed for its management sub-contract at Auburn. The state charter school law permits charter boards to award contracts outside of the standard state

procurement process. The standard process requires that large—according to total dollar amount—contracts are awarded through a competitive process that entails multiple bids. If the law required charter boards to solicit bids, there would have been more competition—and theoretically greater efficiency—in the contracting process.

The state charter school law influenced Edison's ability to implement a number of the strategies to increase efficiency. While speculative, one could hypothesize that if Auburn were not a charter school, and hence financed and governed by traditional public school policies and procedures, there would have been less need for financial capital. There would also have been more competition infused into the sub-contracting process because state procurement policies would apply. This finding highlights the primacy of Auburn's charter status upon this case study. It also highlights the limitations associated with the two commingled reform initiatives. The commingling prompts ambiguity in tracking the relationship between the theory and practice of school privatization at Auburn.

The balance of power influences competition and accountability. The balance of power, relative to the supply and demand of a product or service, influenced competition and accountability at Auburn in three instances. The first instance where power emerged as an influence occurred when the board decided that it needed a partner in order to apply for a charter. The board needed a school model yet it perceived that it did not have the skills to produce a model. The board entered the initial sub-contract with Edison as a codependent rather than an independent consumer. The mutual dependency between the board and Edison led to power being relatively balanced between the partners. Five years after it negotiated the initial sub-contract with Edison, the board had the capacity to operate the school with or without Edison. However, Edison still needed the board as much as it had when it entered the initial sub-contract. The shift in dependency led to a shift of power. As the partners face renegotiation, the board has more power because it is less dependent than Edison. Furthermore, the number of EMOs

increased since the school first opened. As a result, the board has alternatives to choose from if it wants a new management partner. To wit, the balance of power, influenced by supply, shifted over time. As the board and Edison approached contract renegotiations, the board had the capacity to operate without Edison and the supply of alternative options favored the board. This shift may theoretically infuse competition into the renegotiation process. This infusion of competition may also increase the board's ability to hold Edison accountable. If Edison does not meet the board's expectations, the board can exit its relationship with Edison and form a new partnership with another EMO or alternatively, operate without a management partner.

A second example of the influence of the balance of power was the findings regarding the degree to which Auburn must compete to attract students. Parents that I interviewed indicated that they selected Auburn for a variety of reasons. In some cases, the reasons had more to do with the lack of quality public schools than a perception that Auburn was the most desirable public school. As a result, competition for students was limited because parents did not have the power to select their first choice school because the demand for high-quality public schools outweighed supply.

The third instance of the balance of power influencing the strategies to enhance efficiency was evident in Auburn teachers' ability to hold Edison accountable. Teachers have the power to exit if they are unsatisfied because the conventional public schools represent a possible career alternative for them. Teachers can find new jobs relatively easily because the demand for teachers in the district is greater than the supply of teachers. In response to the imbalance in the supply and demand of teachers, Edison modified its personnel policies to compete with the district for teachers. If there were a glut of teachers, Edison's accountability to teachers would decrease as teachers would have limited employment options should they exit Auburn. This would represent a shift in power in which Edison, rather than the teachers, would hold more power.

Local labor market influences labor costs. Reflecting the theories regarding privatization and labor costs outlined in the literature (Ascher et al., 1996; Hakim et al., 1994), Edison instituted policies to minimizes its labor costs. Over time, the pressure to compete to recruit and retain teachers capable of implementing its instructional model forced Edison to reduce teachers' hours, increase teachers' compensation, and move toward extending teachers' contracts beyond a single year. As noted previously, demand for teachers is greater than the supply of teachers in most public schools. To recruit and retain high-quality teachers, Edison must match or exceed the district's salaries, benefits, and working conditions. Although not identical to traditional district teacher policy models, Edison modified some of its teacher policies to align with its competition. After four years, Edison's teacher policies at Auburn are more similar to the district than when the school opened.

Intrinsic Motivation Influences Behavior

Fiscal incentives are tangible rewards that managers use to elicit desired behaviors. They are a key component of the market metaphor. In theory, individuals behave in a manner that is beneficial to them personally. Developing effective incentive plans that motivate teachers depends upon understanding teacher motivation—a complex and variable construct (Heneman & Milanowski, 1999). While the literature is explicit about the importance of extrinsic incentives in private industry, the evidence from Auburn suggests that teachers were not influenced by Edison's extrinsic incentive program. Rather, Auburn teachers reported that they were influenced by intrinsic motivations. These motivations appear to minimize the extent to which Edison was able to use extrinsic incentives to influence teachers. Furthermore, the incentive program appears to represent an example of where Edison's policies decreased efficiency because the fiscal incentives used resources but did not appear to influence outcomes.

Edison's Implementation of its Model

Edison's school model represents a collection of practices that Edison deems are effective ways to increase efficiency by increasing outcomes. The evidence from Auburn suggests that the manner in which Edison implemented its model at Auburn hampered its ability to realize the goals and objectives outlined in the model. For instance, Edison's model incorporates organizing schools for students' success. A component of this organization is teacher looping,[5] which some argue is an effective practice (Grant, Johnson, & Richardson, 1996; Meier, 1995). A policy that Edison implemented at Auburn that is not explicitly part of its model is single-year contracts for teachers. Single-year contracts are designed to enable Edison to hold teachers accountable. Yet, single-year contracts appear to conflict with looping. The case suggests that the disruption created by teacher turnover impedes the continuity sought through looping.

Another example of a conflict between Edison's model and its practices at Auburn is its commitment to technology and the inadequate training that Edison arranged for staff, students, and parents. Edison invested significant quantities of money in its computer hardware and software but did not train Auburn teachers, students or parents in ways that ensured that the technology could be utilized to increase effectiveness. The fact that Edison sought to implement an ambitious technology program in a large school with inexperienced teachers meant that staff and families needed extensive training which, unfortunately, they did not receive. The emphasis on technology raised the overall costs of operating Auburn but did not stimulate any increase in outcomes because the technology was not utilized broadly or effectively by any of the key constituency groups at Auburn (i.e., teachers, students, or parents).

The mediating factors influence on Edison demonstrates that regardless of whether a manager is

5 The term looping refers to a practice in which teachers remain with the same cohort of students for at least three years and move or "loop up" with the students to each new grade.

public or private, a variety of tangential factors act upon the degree to which strategies to enhance efficiency are implemented. The mediating factors also help illuminate why the seven strategies to enhance increase efficiency in privatized schools may not be dependably transferable to public schools.

Mediating Factors and Institutional Isomorphism

In theory, school privatization is a radical or innovative reform. In practice, Auburn is not necessarily radical or innovative. Rather, the data suggest that the mediating forces are, to some degree, pressuring Auburn to resemble a traditional public school. The practical reality that a privately managed charter school might look like or evolve to look like a traditional public school is an example of institutional isomorphism.

Institutional isomorphism, the process of "a force encouraging a new institution to become more similar to existing organizations" (Bulkley, 1999, p. 693), provides a useful lens through which one can view the influence of the mediating factors. In an analysis of charter school authorizers, Bulkley (1999), drawing on the work of Cibulka (1997) and DiMaggio and Powell (1993), documented that charter school authorizers are under pressure from local districts. This pressure is driving the authorizers to evolve and to function like the very institutions they were designed to replace (i.e., public school districts). Evidence from Auburn suggests that private managers may seek to implement strategies to enhance efficiency; but, the presence of mediating factors (e.g., federal and state laws or the local labor market) influences these efforts. In some instances, the influence of mediating factors may lead to institutional isomorphism. The findings regarding labor costs are the clearest example of isomorphism at Auburn. Edison adjusted its personnel policies in order to compete with the district. This finding suggests that the local labor market is forcing Edison to become more like the district in order to compete for teachers. The modification process represents s step toward institutional isomorphism.

Data from other Edison schools corroborate that Edison's teacher policies are becoming more

similar than dissimilar to traditional districts' policies. For instance, early documents by and about Edison noted a somewhat adversarial relationship with the unions (American Federation of Teachers, 1998; Peterson, 1998); yet, recent press releases by and about Edison reflect an emerging, albeit limited, alliance between Edison and teachers' unions. A recent Wall Street Journal article noted that 40% of Edison's 113 schools have union contracts (Golden, 2001). Edison is also beginning to partner with unions to operate schools. In the Chester-Upland district in Pennsylvania, Edison and a local chapter of the National Education Association are collaborating to operate a school scheduled for state-takeover (Golden, 2001). In Miami, the United Teachers of Dade is working with Edison and Chancellor Academies to operate charter schools in the greater Miami-Dade region (http://www.utd.org/Charter%20Schools/Charter%20Chatter.htm). These partnerships are not representative of the larger universe of all EMO contracts. Yet, they suggest a fledgling alliance between some EMOs and the teachers' unions. The nascent alliance itself represents one indication that privatized schools may be morphing and becoming more like the very schools they were designed to replace.

Theoretical Strategies Interact and Inhibit One Another

The case suggests that the seven major strategies to enhance efficiency through privatization may interact in ways that influence the degree to which each of the strategies can be implemented. Indeed, evidence revealed that two strategies operate to offset one another: labor costs and effective practices.

Edison's efforts to minimize costs associated with instructional staff hampered efforts to implement effective educational practices. Whether by design or default, Edison hired many inexperienced and uncertified teachers to teach at Auburn. This hiring practice limited Edison's labor costs. It also caused problems related to implementing Edison's school model. For instance, Auburn's

teachers struggled to implement Edison's curriculum, instructional practices, and assessment plan. Hiring new and inexperienced teachers may limit labor costs in the short-term but there may be long-term costs to students. Research has demonstrated that teachers make notable increases in effectiveness during the first few years of their teaching careers (Murnane & Phillips, 1981). It is arguably in Edison's best interest to retain teachers who have progressed through their early, and presumably, less productive years. Retaining experienced and skilled teachers is particularly important because Edison's instructional practices and assessments appear to require skilled teachers. However, in order to retain qualified and experienced teachers, Edison will have to modify its teacher policies. Modifying teacher policies (e.g., teachers' working conditions, salaries, and benefits) will increase Edison's overall labor costs. To realize an overall gain in efficiency, the projected increase in labor costs must stimulate a greater increase in student outcomes. The key to realizing efficiency hinges on Edison determining, given its school model, the minimum teacher qualifications and experience required to produce the greatest student outcomes. Determining the minimum teacher qualifications needed to produce the greatest student learning is challenging. In fact, decades of research have demonstrated convincingly that identifying the relationship between teacher skills and qualifications and student outcomes is extremely enigmatic (Cohn & Geske, 1990; Hanushek, 1986).

The interactions between labor costs and effective practices raise additional doubts about the degree to which privatization may be reliably transferred to public education. A single strategy may be influenced by a number of mediating factors. When combined with other complex strategies, the challenge of transferring a practice aimed at increasing efficiency appears to grow increasingly difficult. The challenges associated with balancing efforts to limit costs and efforts to increase outcomes illustrate the elusive nature of production and allocative efficiency: the foundation upon which the theoretical framework of privatization was constructed. Insofar as this case study is indicative, Edison's efforts to

enhance efficiency at Auburn appear to suggest that private managers may struggle as much as public managers to achieve the goal of efficiency.

Findings Suggest that a Revised Theoretical Framework Is Warranted

A single-case study cannot be used to predict what will occur in other privatized schools. However, the case can "suggest modifications and identify additional variables that warrant attention in future research" (Malen & Ogawa, 1988, p. 266). The findings from this case suggest that the theoretical framework that guided data collection oversimplifies school privatization and private managers' ability to implement strategies to increase efficiency. The data from Auburn demonstrate that Edison attempted to implement the seven strategies to increase efficiency. However, numerous intervening variables influenced the degree to which Edison implemented the strategies at Auburn. The case suggests that these mediating factors—1) federal laws, 2) state laws, 3) the balance of power, 4) the local labor market, 5) intrinsic motives, and 6) Edison's implementation of its model—warrant attention.

Figure 1 presents the initial theoretical framework and what I hypothesize is a more accurate theoretical framework. I propose that the revised framework presents a more sophisticated description of what occurs when a private manager operates a public school than the original theoretical framework. The arrows in the revised framework indicate the direction of the influence. The new framework takes into account the mediating factors that influence the degree to which private managers can transfer market-driven strategies into public schools.

In summary, this case study, like other case studies, was "suggestive" rather than "conclusive" (Malen & Ogawa, 1988, p. 266). The case suggests that 1) privatization may not be reliably transferred to public schools, 2) mediating factors influence the degree to which privatization is transferable,

Figure 1: Revised Theoretical Framework

School Privatization
Theoretical Framework

School Privatization

↓

Theoretical Strategies To Increase Efficiency

Function in a Competitive Environment
Manage Deregulated Schools
Decrease Labor Costs
Motivate with Incentives
Infuse Financial Capital
Implement Effective Practices
Be Held Accountable

↓

More Efficient Public Schools

Revised School Privatization
Theoretical Framework

School Privatization

↓

Mediating Factors Influence Degree to Which Strategies Are Implemented
(federal laws, state laws, balance of power, the local labor market, intrinsic motives, Edison's implementation of its model)

↓

Theoretical Strategies To Increase Efficiency

Function in a Competitive Environment
Manage Deregulated Schools
Decrease Labor Costs
Motivate with Incentives
Infuse Financial Capital
Implement Effective Practices
Be Held Accountable

↓

More Efficient Public Schools

3) strategies to enhance efficiency interact in ways that potentially limit consonant implementation, and 4) the theoretical framework warrants revision. The framework that guided the study posits that school privatization will lead to the implementation of specific strategies to enhance efficiency. The case suggests that the framework may be inadequate because it does not incorporate potent yet somewhat fluid mediating factors. Additional research should explore these findings and determine the degree to which they represent accurate conclusions regarding privatization initiatives.

Future Research: Considering The Next Steps

A great deal of research remains to be conducted on school privatization: especially given the fact that during the time of this case study, privatization continued to grow and expand in both the charter school and conventional public school arenas. This case study of Auburn Charter School represents a small step toward the larger goal of determining whether or not market theories can be applied to public schools to improve their efficiency. More qualitative and quantitative research on school privatization will enlighten the discussion about the pitfalls and promises of school privatization. Important issues that future research endeavors should explore are 1) the extent to which the revised theoretical framework is present or absent in other privately managed public schools (chartered as well as traditional), 2) the evolution of the EMO market and its impact on competition, 3) the overall costs and effectiveness (i.e. efficiency) of school privatization for the consumer (i.e., the district or charter board), and 4) the impact of privatization on equity and adequacy.

Validate the Theoretical Framework

Additional work is required to test the revised theoretical framework and document the effects of the mediating factors. Qualitative studies of privately managed chartered and traditional public schools could be used to gauge whether the mediating factors noted here—or others—operate to limit the implementation of the strategies to enhance efficiency in privatized schools. Given the degree to

which Edison and the state charter school law influence policy and practice at Auburn, additional case-study research may reveal whether Auburn is typical or atypical of Edison, the state in which Auburn is located, privatized charter schools, or all privatized public schools.

Examine the Evolution of the EMO Market and Notions of Competition

When the Auburn board developed its proposal to apply for a charter, there was a small universe of neophyte EMOs. The universe of EMOs has grown; and, today, potential customers can select from more than 20 companies that offer comprehensive school management services (Molnar et al., 2001). The larger, and presumably more diverse, array of EMOs should foster a more competitive environment (Hill et al., 1997). Developing a competitive market requires some level of supply and demand that provides both consumers and producers with the incentive and the opportunity to strive to enhance efficiency. Future research could examine whether competition exists in the school privatization arena now that EMOs are more established and consumers (e.g., traditional and chartered school boards) presumably have access to data regarding EMOs.

Assess Costs and Effectiveness of School Privatization

Data regarding the cost-effectiveness of privatization are essential to an informed policy discussion of the costs and benefits of privatization. For example, what are the transactional costs associated with soliciting multiple bids and with opening a privatized school or converting a district school to private management? Also, what is the value-added of private versus public management? And, what are the costs and effects of privatization compared to other reform models such as those promoted by Comprehensive School Reform Demonstration Program? Empirical data regarding the costs and effects of school privatization could lift the discussion of privatization from a rhetorical debate to an informed analysis of efficiency. Given the emerging trend of urban districts sub-contracting with

EMOs to manage their "reconstituted" or "academically bankrupt" schools (witness Baltimore, New York and Philadelphia), addressing the relative costs and effectiveness of such partnerships is essential.

Examine Equity and Adequacy

Compelling questions about how market forces manage the goals of equity and adequacy exist. For instance, evidence from Auburn and a growing body of literature regarding special education in charter schools (e.g., Ahearn, Lange, Rhim, & McLaughlin, 2001; Colorado Department of Education, 2000; Fiore et al., 2000; Horn & Miron, 1999, 2000) indicates that children with disabilities enrolled in charter schools are not always provided the services that they are guaranteed. Additional research should explore whether schools operated by EMOs are demographically representative of the local population and document whether EMO operated charter schools are serving all students efficaciously. If private managers promise to increase, among other things, efficiency, assuring that goods and services are distributed fairly is a fundamental component of the goal of efficiency and therefore, equity is a component of their promise. Based on this case and studies of special education in charter schools, students who appear to be particularly at risk in a market system are students with special needs.

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